

REMARKS/ARGUMENTS

The office action of February 07, 2007 again rejects claims 1-40 of the pending application in light of various references. Specifically, the office action cites U.S. Patent No. 7,031,937 to Brown, et al. in view of IRS Publication 564 Mutual Fund Distributions (Department of the Treasury, Internal Revenue Service, hereinafter "the Mutual Fund reference") and Taming Your Trading Taxes (Business Week Online, <http://www.businessweek.com/magazine>, April 2001, hereinafter "the Business Week reference") as rendering the claimed invention obvious under 35 U.S.C. §103(a).

The Applicant respectfully requests reconsideration and withdrawal of the rejections and objections. In particular, an obviousness rejection under 35 U.S.C. §103(a) requires the differences between the subject matter sought to be patented and the prior art to be such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the relevant art. The Applicant respectfully submits that the cited references do not satisfy this requirement.

The Mutual Fund Reference Fails to Disclose Several Express Limitations

In rejecting claims 1-40, the office action acknowledges that the Brown reference fails to disclose the following steps recited in claim 1:

retrieving from a database, in response to the information identifying the issuer, the purchase date and the sale date, a list of capital events that occurred in connection with the security between the purchase date and sale date, wherein the list of capital events includes at least one event selected from the group consisting of a distribution reinvestment, a spin-off event, a merger event and a split event, and wherein the database stores past price per share information and capital events for a plurality of different securities associated with different issuers;

retrieving from a database one or more shares held adjustment ratios, wherein the shares held adjustment ratios correspond to at least one of the capital events that occurred in connection with the security between the purchase date and the sale date;

determining a current cost basis associated with the security by applying at least one shares held adjustment ratio to the initial basis of the security;

if multiple shares held adjustment ratios were retrieved from the database, then

assigning an intermediate cost basis equal to the current cost basis;

adjusting the current cost basis by applying a further shares held adjustment ratio to the intermediate cost basis; and

repeating the steps of assigning an intermediate cost basis equal to the current cost basis and adjusting the current cost basis until each further shares held adjustment ratio retrieved from the database has been used to adjust the cost basis of the security, wherein each further shares held adjustment ratio retrieved from the database has an event date associated therewith and is applied in a chronological order such that the shares held adjustment ratio associated with a latest event date is applied in a final iteration of the step of adjusting the current cost basis...

The office action claims that these steps are disclosed by the Mutual Fund reference. Furthermore, the office action asserts that it would have been obvious to combine the Brown and Mutual Fund references because the specific steps disclosed in the Mutual Fund reference provide a clear picture for evaluating the cost basis for a security.

The Applicant respectfully submits that the office action mischaracterizes the Mutual Fund reference. The Mutual Fund reference is an IRS publication relating to mutual fund distributions that generally discusses tax treatment of dividends. The cited portions of the

Mutual Fund reference generally discuss the concept of a basis and figuring gain or loss when shares are sold, exchanged, or redeemed. Nothing in the Mutual Fund reference, however, discloses:

- (1) retrieving shares held adjustment ratios from a database;
- (2) shares held adjustment ratios corresponding to capital events that occurred in connection with the security between the purchase date and the sale date;
- (3) determining a current cost basis by applying at least one shares held adjustment ratio to the initial basis;
- (4) in the event that multiple shares held adjustment ratios are retrieved from the database, then assigning an intermediate cost basis equal to the current cost basis, adjusting the current cost basis by applying a further shares held adjustment ratio to the intermediate cost basis, and repeating these steps until each of the shares held adjustment ratio has been used to adjust the cost basis of the security;
- (5) shares held adjustment ratios having associated event dates and applied in a chronological order such that the shares held adjustment ratio associated with a latest event date is applied in a final iteration of the step of adjusting the current cost basis.

None of these express limitations is disclosed in the Mutual Fund reference. Furthermore, the office action fails to specifically point out these limitations are disclosed in the Mutual Fund. Instead, the office action merely indicates that "all pages" disclose these elements. The Applicant respectfully submits, however, that the Mutual Fund reference does not disclose a database, shares held adjustment ratios, retrieving shares held adjustment ratios from a database, ratios corresponding to capital events, capital events between purchase dates and sale dates, applying shares held ratios to the initial basis, multiple shares held adjustment ratios, assigning intermediate cost bases, applying shares held adjustment ratios to intermediate cost bases, repeating such steps until such shares held adjustment ratios have been used, applying share held adjustment ratios in a chronological order, and other express limitations in the claims.

Consequently, the Applicant respectfully submits that the obviousness rejections should be withdrawn due to these and other shortcomings of the Mutual Fund reference.

The Mutual Fund Reference Teaches Away from the Claimed Subject Matter

Moreover, although the Mutual Fund reference discusses the calculation of a cost basis, the methods described are entirely unrelated to those required by the present claims. Further, the methods disclosed in the Mutual Fund reference teach away from the presently disclosed methods, as they describe abbreviated methods for estimating a cost basis of a security that fail to consider capital events.

The Mutual Fund reference describes “how to report distributions paid or allocated ... by a mutual fund and any expenses connected with [the] investment.”¹ As part of the reporting process, an individual must calculate a cost basis of their investments for federal income tax reporting. The Mutual Fund reference first defines cost basis and then illustrates suitable algorithms for calculating and adjusting that cost basis. The Mutual Fund reference states: “The original basis of mutual fund shares you bought is usually their cost or purchase price. The purchase price usually includes any commissions or load charges paid for the purchase.”² Having defined original cost basis as the original purchase price of the mutual fund plus transaction adjustments, the reference defines an adjusted basis as a cost basis that is “increased or reduced as described here.”³ The reference provides only two adjustments for a cost basis: (1) additions to a basis due to “the difference between the amount of undistributed capital gain you include in income and the tax considered paid by you on that income” and (2) reductions to basis due to “return of capital distributions that you receive from the fund.”⁴ The adjustments have nothing to do with capital events that may affect the value of the share of the mutual fund and instead relate only to transaction and tax costs.

¹ Page 1.
² Page 4.
³ Page 4.
⁴ Page 4.

Distribution re-investments are mentioned, but only in passing and are treated as the purchase of new shares, not as an activity that alters the cost basis of the original share. The adjustments described in the Mutual Fund reference do not actually adjust the cost basis, or original value, of any mutual fund share. Instead, the disclosed adjusted cost basis just describes a cost basis that is modified due to transaction and tax costs, not capital events as required by the claims.

The Mutual Fund reference fully fails to describe adjustments to a cost basis based upon capital events that occurred in connection with a security as required by the claims. In contrast, the present claims require retrieving information relating to capital events. Rather than simply adjusting the cost basis for transaction and tax costs, the claims require determining a current cost basis using adjustment ratios corresponding to the capital events.

Instead of disclosing the cost basis modifications as required by the present claims, but the Mutual Fund reference instead teaches away from the claimed invention. On pages 6-8, the Mutual Fund reference discloses two methods for calculating gains or losses: (1) the cost basis method and (2) the average basis method.

The cost basis method relies upon the adjusted cost basis disclosed by the Mutual Fund reference. To calculate gains and losses, the adjusted cost basis must be compared to the sales price for the share of a mutual fund. The comparison may be made against a specific share or using a first-in first-out (FIFO) scheme. Both methods rely on the adjusted cost basis as disclosed by the Mutual Fund reference. As previously discussed, the adjusted cost basis fails to consider changes in the actual value of the share of a mutual fund resulting from a series of capital events. Instead, it only accounts for tax and processing costs associated with the sale or purchase of the share.

The average basis method for calculating gains and losses relies upon the average basis of a collection of shares. In contrast to the present claims, this method allows for the determination of a cost basis for a single share based upon *an average value for multiple shares*. The average

basis method, therefore, allows for the assignment of an estimated cost basis without an analysis of prior capital events that may affect the value of a single share in a mutual fund.

Thus, the Mutual Fund reference describes various methods for evaluating the cost basis of a share of a mutual fund and using that basis to calculate capital gains or losses. At no time does the Mutual Fund reference disclose determining a list of capital events that may affect the cost basis of a share. Instead, the Mutual Fund reference only discloses adjusting the purchase price of a share by various tax and processing costs incurred by the purchaser. These adjustments not only fail to disclose those described in the present claims, but actually teach away from the claimed subject matter.

The Business Week Reference Does not Qualify as Prior Art

Even if the office action's characterizations of the Mutual Fund reference were taken to be accurate, the office action acknowledges that the Mutual Fund reference fails to disclose the capital events required by the present claims. The office action attempts to address this shortcoming by asserting that the Business Week reference provides the specific adjustments, rendering the claimed invention obvious under 35 U.S.C. § 103(a).

To qualify as a reference under § 103(a), however, a reference must at least fall within the scope of the §102 definition of prior art. In this case, the Business Week reference was published on April 9, 2001, only a few days before the present application was filed and almost a full year after the filing of the provisional application from which the present invention claims priority. Furthermore, the system described in the Business Week reference was launched in March of 2001, only one month after the filing date of the present application and well after the priority application. Accordingly, the Business Week reference does not qualify as a prior reference under § 102 and may not be used as part of a § 103 rejection.

The Business Week Reference Does Not Support the Rejections

Even if the Business Week reference is considered to be valid prior art, however, it would not have been obvious, as asserted by the office action, “to have modified the system of Brown and Mutual Fund (which determines the cost basis of securities using specific steps) with the adjustments detailed in Business Week because describing the adjustments give the user a clearer picture on how to use the system making the system more user friendly.” The Applicant respectfully maintains that when properly characterized, the Mutual Fund reference and the Business Week reference cannot be combined to form the claimed invention. Although the Business Week reference mentions “adjust[ing] for splits, mergers, spin-offs, and other odd dividends,” it fails to disclose even one suitable method for making such adjustments.

Furthermore, the cost basis adjustment methods disclosed in the Mutual Fund reference cannot adjust a cost basis accounting for the factors disclosed in the Business Week reference. The adjustments in the Mutual Fund reference only relate to modifications due to tax and transaction costs. There is no discussion of retrieving a list of capital events or modifying a cost basis due to market value fluctuations – all necessary steps to incorporate the adjustments disclosed in the Business Week reference. Instead, the Mutual Fund reference only discusses adjustments due to the owner’s purchase or sale activities. Accordingly, the two references cannot be combined – the Business Week reference describes adjustments that cannot be calculated or applied by any method described in the Mutual Fund reference.

In addition, the Applicant respectfully submits that neither the office action nor any cited reference nor any combination of cited references discloses the claimed process. The office action acknowledges that several steps recited in the claims are entirely absent from the Brown reference, but provides no reference disclosing:

- (1) retrieving shares held adjustment ratios from a database;
- (2) shares held adjustment ratios corresponding to capital events that occurred in connection with the security between the purchase date and the sale date;

- (3) determining a current cost basis by applying at least one shares held adjustment ratio to the initial basis;
- (4) in the event that multiple shares held adjustment ratios are retrieved from the database, then assigning an intermediate cost basis equal to the current cost basis, adjusting the current cost basis by applying a further shares held adjustment ratio to the intermediate cost basis, and repeating these steps until each of the shares held adjustment ratio has been used to adjust the cost basis of the security;
- (5) shares held adjustment ratios having associated event dates and applied in a chronological order such that the shares held adjustment ratio associated with a latest event date is applied in a final iteration of the step of adjusting the current cost basis.

None of these express limitations are identified in any of the references. Thus, the Applicant respectfully submits that the rejections should be withdrawn.

The Rejections of the Dependent Claims Are Unsupported

Regarding claims 5-11, 15 – 16, 23 – 29, 33, and 38, the Office action states that the Brown reference discloses various shares held adjustment ratios, capital events and worthless security events rendering the claims obvious. However, the Brown reference fails to disclose various elements of each of the claims and, accordingly, fails to render those claims obvious.

With respect to claims 5 – 9, the Brown reference fails to disclose a “shares held adjustment ratio.”

With respect to claims 10 and 11, the Brown reference fails to disclose a “list of capital events further [including] worthless security events.”

With respect to claims 15 – 16, the Brown reference fails to disclose a “list of capital events further [including] security delisting events.”

With respect to claims 23 – 25, the Brown reference fails to disclose the steps of “determining whether a security ... is an option security [and] determining whether the option security was exercised.”

With respect to claim 26 – 29, the Brown reference fails to disclose a list of capital events further including at least one rights or warrants issuance. The reference further fails to disclose the step of “determining a basis allocation between the original security and a security acquired by the exercise of the rights [or warrant].”

With respect to claim 33, the Brown reference fails to disclose the step of “determining the capital gain or loss for the investment, wherein the process further limits capital events of interest to those capital events having occurred after purchase of the investment and prior to sales of the investment.”

With respect to claim 38, the Brown reference fails to disclose the steps of “retrieving ... a shares held adjustment ratio associated with a capital event” and “adjusting the basis per share of the security.”

The office action recites portions of the Brown reference purporting to disclose these limitations, but upon review of the Brown reference, the limitations are not disclosed. Therefore, the Applicant submits that the rejections are improper and should be withdrawn.


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CONCLUSION

In sum, the Applicant respectfully requests withdrawal of the rejections. In view of the present remarks, the Applicant respectfully submits that the claims are in condition for allowance. Please contact the undersigned attorney at the address and telephone number noted below with any questions or comments.

Respectfully submitted,

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